

PLAINWELL COMMUNITY SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2006

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Plainwell Community Schools
Plainwell, Michigan

August 11, 2006

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Plainwell Community Schools, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Plainwell Community Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Plainwell Community Schools as of June 30, 2006 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Education
Plainwell Community Schools
Plainwell, Michigan

August 11, 2006

In accordance with *Government Auditing Standards*, we have also issued our report August 11, 2006, on our consideration of Plainwell Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi through xii and page 26 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plainwell Community Schools' basic financial statements. The additional information on pages 28 to 42 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mamer, Costeniser & Ellis, P.C." The signature is written in a cursive, flowing style.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Plainwell Community School's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2006. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The District's general fund financial situation continues to improve. Over the past several years the District has strived to reach the Board of Education goal of maintaining at least a 10% fund balance. At the close of the fiscal year ended June 30, 2006, the District's general fund, fund balance has reached 13.0% of expenditures and outgoing transfers or \$2.8 million dollars.

Total general fund revenues were \$21.9 million dollars, which was greater than the general fund expenditures and transfers of \$21.8 million dollars by \$90,582. Revenues for the 2005-2006 school year increased by .5% over the previous year while expenditures increased .6% over the previous year.

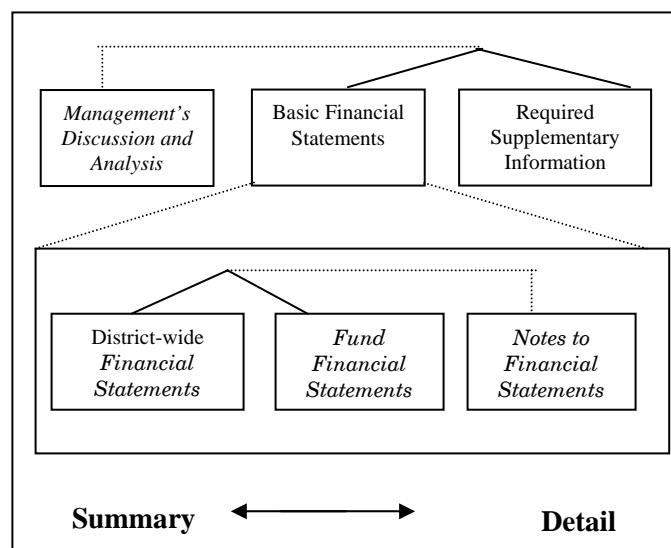
Enrollment increased during the 2005-2006 school year bringing the blended enrollment of the District to 2,906 students. Student enrollment is projected to stay the same over the next several years.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

Figure A-1
Organization of Plainwell Community School's Annual Financial Report



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 Major Features of District-Wide and Fund Financial Statements			
	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, PCS's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarized the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities:

- Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like school lunch and athletics).

The District has two kinds of funds:

- Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explains the relationship (or differences) between them.
- Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets - The District's combined net assets were slightly higher on June 30, 2006 than they were the year before increasing approximately 8% or \$12.3 million. The District spent a significant portion of the construction funds on the ongoing construction projects and retired assets that have been replaced as part of the 2002 bond project. The District also continues to participate in the school bond loan fund (SBLF) borrowing to meet principal and interest payments on its outstanding debt.

Table A-3		
Plainwell Community Schools' Net Assets		
	2006	2005
Current and other assets	\$ 9,236,482	\$ 12,266,134
Capital assets and other	46,610,061	45,186,359
Total assets	55,846,543	57,452,493
Long-term liabilities	36,205,727	37,579,365
Other liabilities	7,362,552	8,490,448
Total liabilities	43,568,279	46,069,813
Net assets:		
Invested in capital assets, net of related debt	9,970,116	8,959,503
Restricted		498,867
Unrestricted	2,308,148	1,924,310
Total net assets	\$ 12,278,264	\$ 11,382,680

Table A-4		
Changes in Plainwell Community Schools' Net Assets		
	2006	2005
Revenues:		
Program revenues:		
Charges for services	\$ 1,111,949	\$ 1,029,639
Federal and state categorical grants	953,524	949,269
General revenues:		
Property taxes	4,972,804	4,713,919
State aid - unrestricted	18,225,727	17,163,678
Other	912,838	870,676
Total revenues	26,176,842	24,727,181
Expenses:		
Instruction	13,592,946	12,843,241
Support services	7,452,561	7,356,548
Community services	510,062	474,200
Food services	749,322	731,970
Athletics	506,926	478,333
Interest on long-term debt	1,861,672	1,920,442
Unallocated depreciation	607,769	607,224
Total expenses	25,281,258	24,411,958
Change in net assets	\$ 895,584	\$ 315,223

District Governmental Activities

The recent good health of the District's finances can be credited to a number of areas.

Proposal A that established the student foundation grant concept, has increased the District's main funding source from \$4,794 per student in 1995 to \$6,875 per student in 2006. The State of Michigan increased funding to the District of \$175 per student.

Student overall growth in the District has been ongoing. The student count in September 1995 was 2,643 and has grown by 10% to 2,906 in September of 2005.

The District has continued to go through budget reductions each of the past few years. Expenditures were reduced by approximately \$250,000 - \$350,000 in years 2002 through 2005. The District has strived to restructure programs and services to balance state revenues with expenditures.

Many upgrades to our facilities in the area of infrastructure, as a result of the projects completed with the 1998 bond issue, has allowed a shift in our philosophy in the area of facilities maintenance. The District has moved to contracting with outside companies for regular preventative maintenance tasks. The upgrade of our entire heating, cooling, electrical and technology infrastructure has allowed this change. The 2002 bond projects have included added classroom space to the Middle School and each of our elementary schools. The District continues to plan for the maintenance and upkeep of this additional classroom space as part of our annual budget and planning process.

The District's alternative and adult education program has been revamped with updated curriculum and a new facility. This has allowed for growth in the alternative education program that has had a positive impact on the District financially by increasing our student foundation revenue.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole continues to be strong as is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$4.5 million, well below last year's ending fund balances of \$6.5 million. The major portion of this decrease was due to the use of the 2002 bond funds as we continue to progress with the \$25.5 million building project. Excluding the capital project fund, the fund balance for the combined governmental funds (general fund, debt service fund and special revenue funds) of the District decreased by \$179,433 or (.5%) for 2006. The reduction is due to the Debt funds comparison from a refunding of debt in the prior year.

General Fund Budgetary Highlights

During the 2006 fiscal year the District budget was amended several times to reflect changes which affected the District.

The initial amendment took place in December 2005, taking into account student enrollment and staffing levels. Due to the settlement of contracts and the increase in students the District amended its original projection.

The second amendment in late March 2006 took into account a need for the District to put aside money for maintenance of the District's roofs. This amendment also reflected the remaining results of new agreements with employee groups on wages and benefits.

The final amendment reflected minor updates in actual funding received and expected year-end expenditures. This amendment showed a budget that used a portion of the fund balance to maintain instructional and support programs. The actual year end balances showed a variance in budgeted revenues of 0.2% and a variance in budgeted expenditures of 1.0% overall. While working within the restraints of state funding, the District still maintained a fund balance above the Board's set goal of 10% and maintained all critical instructional and support services.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2006, the District had invested \$46.2 million net in a broad range of capital assets, including school buildings, athletic facilities, school furnishings and equipment, vehicles, and technology. This amount represents a net increase of \$1.5 million, or 3 percent, from last year. (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year exceeded \$960,000 thousand.

Table A-5				
Plainwell Community Schools' Capital Assets				
	2006			2005
	Cost	Accumulated depreciation	Net book value	Net of depreciation
Land	\$ 285,494	\$ -	\$ 285,494	\$ 285,494
Construction in progress	23,408,056		23,408,056	21,320,812
Buildings	31,236,420	10,119,672	21,116,748	21,740,191
Equipment and furniture	5,905,336	4,498,700	1,406,636	1,423,781
Net capital assets	<u>\$ 60,835,306</u>	<u>\$ 14,618,372</u>	<u>\$ 46,216,934</u>	<u>\$ 44,770,278</u>

The District's fiscal year 2007 capital budget anticipates spending another \$3.7 million for capital projects, principally in two areas:

- \$1.4 million to continue the construction in progress related to the 2002 bond project
- \$350,000 to continue the modernization of equipment through the general fund

Long-term Debt

At year-end the District had \$38.4 million in general obligation bonds and other long-term debt outstanding - a decrease of 3.5 percent from last year. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

The District issued \$25.5 million in general obligation bonds in November of 2002 for additions and remodeling to all of our facilities. The District repaid \$2.0 million in general obligation bonds. In May of 2003 the District entered into the School Bond Loan Fund (SBLF) borrowing \$1,400,000 to fully meet principal and interest payments. The current SBLF and School Bond Revolving Fund (SBRF) balance is \$3.1 million. By using the SBLF and the SBRF the District is able to keep the millage rate for debt service at 7.000 mills until the taxable value of the District grows to the point where sufficient funds are generated to meet all obligations and the SBLF is fully repaid.

Table A-6 Plainwell Community Schools' Outstanding Long-Term Debt <i>(in millions of dollars)</i>		
	2006	2005
General obligation debts		
(financed with property taxes)	\$ 37.9	\$ 39.3
Other	0.5	0.5
Total	38.4	39.8
Less due in one year	2.2	2.3
	<u>\$ 36.2</u>	<u>\$ 37.5</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of three existing circumstances that could significantly affect its financial health in the future:

- The 2006-2007 foundation allowance has been finalized by the State of Michigan. The foundation allowance represents 84 percent of total District revenue. The weak state economy could create a pro-rata in state aid.
- Student counts are always uncertain. The District has anticipated a no student loss for 2006-2007.
- The District is plaintiff with other school districts in a lawsuit against the State, seeking to rectify inequities in the formula the State uses to apportion special education aid to the districts.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Director of Finance, Plainwell Community School District, 600 School Drive, Plainwell MI 49080.

PLAINWELL COMMUNITY SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental activities
ASSETS	
CURRENT ASSETS:	
Cash	\$ 629,603
Cash - restricted for capital projects	136,263
Investments	3,688,324
Investments- restricted for capital projects	1,259,781
Receivables:	
Accounts receivable	30,566
Accrued interest	17,211
Other governmental units	3,452,539
Taxes receivable	5,490
Due from student funds	4,471
Inventories	234
Prepaid expenditures	12,000
TOTAL CURRENT ASSETS	9,236,482
NONCURRENT ASSETS:	
Issuance cost for bonds - net of amortization	393,127
Land and construction in process	23,693,550
Other capital assets, net of accumulated depreciation	22,523,384
TOTAL NONCURRENT ASSETS	46,610,061
TOTAL ASSETS	\$ 55,846,543
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 295,620
Accrued expenses	800,363
Accrued interest payable	432,218
Salaries payable	1,934,654
Note payable	1,700,000
Current portion of long-term obligations	2,018,794
Current portion of compensated absences	180,903
TOTAL CURRENT LIABILITIES	7,362,552
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	35,843,040
Noncurrent portion of compensated absences	362,687
TOTAL NONCURRENT LIABILITIES	36,205,727
TOTAL LIABILITIES	43,568,279
NET ASSETS:	
Invested in capital assets net of related debt	9,970,116
Unrestricted	2,308,148
TOTAL NET ASSETS	12,278,264
TOTAL LIABILITIES AND NET ASSETS	\$ 55,846,543

See notes to financial statements.

PLAINWELL COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 13,592,946	\$	\$ 432,621	\$ (13,160,325)
Support services	7,452,561		163,640	(7,288,921)
Community services	510,062	427,968		(82,094)
Food services	749,322	532,374	319,311	102,363
Athletics	506,926	151,607		(355,319)
Interest	1,861,672		37,952	(1,823,720)
Unallocated depreciation	607,769			(607,769)
Total governmental activities	<u>\$25,281,258</u>	<u>\$ 1,111,949</u>	<u>\$ 953,524</u>	<u>(23,215,785)</u>
General revenues:				
Property taxes, levied for general purposes				2,073,785
Property taxes, levied for debt service				2,899,019
Investment earnings				331,474
State sources				18,225,727
Allegan ISD allocation				382,520
Other				198,844
Total general revenues				<u>24,111,369</u>
CHANGE IN NET ASSETS				895,584
NET ASSETS, beginning of year				<u>11,382,680</u>
NET ASSETS, end of year				<u>\$ 12,278,264</u>

PLAINWELL COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General fund	2002 Capital projects fund	Other nonmajor governmental funds	Total governmental funds
ASSETS				
ASSETS:				
Cash	\$ 130,409	\$ 136,263	\$ 499,194	\$ 765,866
Investments	3,688,324	1,259,781		4,948,105
Receivables:				
Accounts receivable	565		30,001	30,566
Accrued interest	17,211			17,211
Other governmental units	3,452,539			3,452,539
Taxes receivable	5,036		454	5,490
Due from student groups	4,471			4,471
Due from other funds	89,808		3,878	93,686
Inventories			234	234
Prepaid expenditures	12,000			12,000
TOTAL ASSETS	\$ 7,400,363	\$ 1,396,044	\$ 533,761	\$ 9,330,168

LIABILITIES AND FUND BALANCES

LIABILITIES:				
Accounts payable	\$ 106,620	\$ 174,155	\$ 14,845	\$ 295,620
Accrued expenses	768,258		32,105	800,363
Accrued interest payable	40,545			40,545
Due to other funds	4,428		89,258	93,686
Salaries payable	1,934,654			1,934,654
Deferred revenue	5,036			5,036
Note payable	1,700,000			1,700,000
TOTAL LIABILITIES	4,559,541	174,155	136,208	4,869,904

	General fund	2002 Capital projects fund	Other nonmajor governmental funds	Total governmental funds
FUND BALANCES:				
Reserved for debt service	\$	\$	\$ 215,904	\$ 215,904
Reserved for inventories			234	234
Reserved for prepaid expenditures	12,000			12,000
Designated for subsequent year's expenditures	367,891	1,221,889		1,589,780
Unreserved, undesignated	2,460,931		181,415	2,642,346
TOTAL FUND BALANCES	2,840,822	1,221,889	397,553	4,460,264
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,400,363	\$ 1,396,044	\$ 533,761	\$ 9,330,168
Total Governmental Fund Balances				\$ 4,460,264

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds				
The cost of capital assets is			\$ 60,835,306	
Accumulated depreciation is			(14,618,372)	
				46,216,934
Long-term liabilities are not due and payable in the current period and are not reported in the funds				
Bonds and loans				(37,861,834)
Issuance cost for bonds				393,127
Compensated absences				(543,590)
Long-term accrued interest is not included as a liability in government funds, it is recorded when paid				(391,673)
Balance of taxes receivable June 30, 2006 less allowance for doubtful accounts, expected to be collected after September 1, 2006				5,036
Net assets of governmental activities				\$ 12,278,264

**PLAINWELL COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006**

	General fund	2002 Capital projects fund	Other nonmajor governmental funds	Total governmental funds
REVENUES:				
Local sources:				
Property taxes	\$ 2,073,785	\$	\$ 2,899,019	\$ 4,972,804
Investment earnings	101,160	204,767	25,547	331,474
Tuition	58,912			58,912
Food sales and athletic admissions			674,531	674,531
Other local revenue	565,222		12,128	577,350
Total local sources	2,799,079	204,767	3,611,225	6,615,071
State sources	18,373,485		172,383	18,545,868
Federal sources	363,607		269,776	633,383
Intermediate sources	382,520			382,520
Total revenues	21,918,691	204,767	4,053,384	26,176,842
EXPENDITURES:				
Instruction:				
Basic programs	11,340,734			11,340,734
Added needs	2,105,455			2,105,455
Adult and continuing education	37,925			37,925
Total instruction	13,484,114			13,484,114
Supporting services:				
Pupil	1,080,491			1,080,491
Instructional staff	634,344			634,344
General administration	424,578			424,578
School administration	1,188,550			1,188,550
Business services	372,749			372,749
Operation and maintenance	2,570,943			2,570,943
Transportation services	824,951			824,951
Other support services	451,645			451,645
Total supporting services	7,548,251			7,548,251

	General fund	2002 Capital projects fund	Other nonmajor governmental funds	Total governmental funds
EXPENDITURES (Concluded):				
Community services	\$ 510,062	\$	\$	\$ 510,062
Special revenue:				
Food service			749,322	749,322
Athletics			483,441	483,441
Debt service:				
Principal retirement			2,179,896	2,179,896
Interest and fiscal charges			1,625,957	1,625,957
Other			300	300
Capital outlay:				
Construction		2,087,244		2,087,244
Total expenditures	21,542,427	2,087,244	5,038,916	28,668,587
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	376,264	(1,882,477)	(985,532)	(2,491,745)
OTHER FINANCING SOURCES (USES):				
Proceeds from school bond loan fund			429,835	429,835
Operating transfers in from other funds	40,000		325,682	365,682
Operating transfers to other funds	(325,682)		(40,000)	(365,682)
Total other financing sources (uses)	(285,682)		715,517	429,835
NET CHANGE IN FUND BALANCES	90,582	(1,882,477)	(270,015)	(2,061,910)
FUND BALANCES:				
Beginning of year	2,750,240	3,104,366	667,568	6,522,174
End of year	\$ 2,840,822	\$ 1,221,889	\$ 397,553	\$ 4,460,264

**PLAINWELL COMMUNITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

Net change in fund balances total governmental funds \$ (2,061,910)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(960,603)
Capital outlay	2,407,259

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable beginning of the year	413,944
Accrued interest payable end of the year	(391,673)

Repayments of principal on long-term debt and issuance costs are expenditures in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).

Repayment of principal on long-term debt	2,179,896
Proceeds from school bond loan fund	(429,835)
Amortization of bond premiums	70,959
Amortization of gain on bond refunding	(162,569)
Long-term interest expense on school loan funds	(143,122)
Amortization of bond issuance cost	(22,954)

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available.

Accrued revenue beginning of the year	(5,036)
Accrued revenue end of the year	5,036

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds.

Accrued compensated absences beginning of the year	539,782
Accrued compensated absences end of the year	(543,590)

Change in net assets of governmental activities	\$ 895,584
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PLAINWELL COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2006

	<u>Agency funds</u>
ASSETS	
Cash	\$ 244,994
Investments	<u>7,535</u>
	<u><u>\$ 252,529</u></u>
LIABILITIES	
Liabilities:	
Due to Plainwell Community Schools	\$ 4,471
Due to student groups	<u>248,058</u>
	<u><u>\$ 252,529</u></u>

PLAINWELL COMMUNITY SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Plainwell Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Plainwell Community Schools (the "District") is governed by the Plainwell Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and No. 39.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

**PLAINWELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Continued)

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The 2002 *capital projects fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Revised School Code.

**PLAINWELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Continued)

The following is a summary of the revenue and expenditures in the Plainwell Community Schools capital projects from the inception of the fund through the current fiscal year:

	<u>2002 fund</u>
Revenue	<u>\$ 27,149,904</u>
Expenditures and transfers	<u>\$ 25,928,015</u>

Other Non-major Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust fund* is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where both the principal and interest may be spent. These funds are not reported on the District financial statements. The District has no private purpose trust funds.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**PLAINWELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Concluded)

Accrual Method (Concluded)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach that provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006, the foundation allowance was based on pupil membership counts taken in February and September of 2005.

The state portion of the foundation is provided primarily by a state education property tax mileage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2005 to August 2006. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

**PLAINWELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

State Revenue

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**PLAINWELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2006, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General Fund - Non-homestead	18.0000
Debt service fund - Homestead and non-homestead	7.0000

3. Inventories and prepaid expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

**PLAINWELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

5. Capital assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Significant assets have been estimated based on a professional appraisal. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 - 20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$1,000.

6. Compensated absences

The District's policies generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**PLAINWELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

8. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, the School Board must approve these transfers and any revisions that alter the total expenditures of any fund.
5. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2006. The District does not consider these amendments to be significant.

**PLAINWELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2006, the District had the following investments.

Investment Type	Fair value	Weighted average maturity (years)	Standard & Poor's Rating	%
MILAF External Investment pool - MICMS	\$ 136,263	0.0027	AAAm	4.20%
MILAF External Investment pool - MIMAX	1,259,781	0.0027	AAAm	38.90%
MILAF External Investment pool - CMF	120,398	0.0027	AAAm	3.70%
Guaranteed Investment Contract (GIC)	1,719,860	0.1370	A1+	53.20%
Total fair value	<u>\$ 3,236,302</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>0.0741</u>		

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2006, the fair value of the District’s investments is the same as the value of the pool shares.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District’s cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**PLAINWELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2006, \$2,430,198 of the District's bank balance of \$2,730,198 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. Included in the above deposit figures are bank money market deposits of \$1,848,066.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

The District's Guaranteed Investment Contract is collateralized and invested for the purpose of paying off the note payable disclosed in Note 5.

The Investment Agreement, dated as of August 19, 2005, by and among J.P. Morgan Trust Company, National Association, as the Depository on behalf of both the participating Michigan School Districts and the Authority, and Citigroup Global Markets Inc., as Provider (the "Investment Agreement").

The net proceeds from the sale of the Series B-1 Notes were loaned by the Authority to Michigan School Districts. Such loans were repaid with monthly set-a-side installments deposited with the Depository for investment under the Investment Agreement. Set-a-side installments are deposited under the Investment Agreement versus Permitted Investments (collateral securities) equaling at least 102% of the deposited amount and such Permitted Investment are held by the Depository in a fiduciary capacity.

The Guaranteed Rate under this Investment Agreement (commonly referred to as guaranteed investment contract-GIC or collateralized investment agreement-CIA) is 4.09% (simple interest actual days elapsed over a 365-day year).

Citigroup Inc. is Guarantor of the Provider's obligations under this Investment Agreement.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

**PLAINWELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$252,529	\$ 2,730,198
Investments	<u>3,236,302</u>
	<u><u>\$ 5,966,500</u></u>

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 244,994
Investments - Agency Fund	7,535
Cash	629,603
Cash - restricted for capital projects	136,263
Investments	3,688,324
Investments - restricted for capital projects	<u>\$ 1,259,781</u>
	<u><u>\$ 5,966,500</u></u>

NOTE 4 - RECEIVABLES

Receivables at June 30, 2006 from other governmental units consist of the following:

Governmental units:	
State aid	\$ 3,330,711
Federal revenue	89,540
Other	<u>32,288</u>
	<u><u>\$ 3,452,539</u></u>

Amounts due from governmental units include amounts due from federal, state and local sources for various projects and programs.

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

PLAINWELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS

The following is a summary of the activity during the fiscal year:

	Balance June 30, 2005	Additions	Reclassification/ deletions	Balance June 30, 2006
Assets not being depreciated:				
Land	\$ 285,494	\$	\$	\$ 285,494
Construction in process	21,320,812	2,087,244		23,408,056
	<u>21,606,306</u>	<u>2,087,244</u>		<u>23,693,550</u>
Other capital assets:				
Building and improvements	31,236,420			31,236,420
Technology	2,586,015	135,969		2,721,984
School furnishings and equipment	1,150,884	30,327		1,181,211
Vehicles and buses	1,262,267	131,838	112,641	1,281,464
Outside equipment and construction	698,796	21,881		720,677
	<u>36,934,382</u>	<u>320,015</u>	<u>112,641</u>	<u>37,141,756</u>
Total other capital assets				
Accumulated depreciation:				
Building and improvements	9,496,229	623,443		10,119,672
Technology	2,402,861	76,205		2,479,066
School furnishings and equipment	717,549	73,284		790,833
Vehicles and buses	878,300	156,805	112,641	922,464
Outside equipment and construction	275,471	30,866		306,337
	<u>13,770,410</u>	<u>960,603</u>	<u>112,641</u>	<u>14,618,372</u>
Total accumulated depreciation				
Net other capital assets	<u>23,163,972</u>	<u>(640,588)</u>		<u>22,523,384</u>
Net capital assets	<u>\$ 44,770,278</u>	<u>\$ 1,446,656</u>	<u>\$</u>	<u>\$ 46,216,934</u>

Amounts included in capital assets include only items greater than \$1,000.

**PLAINWELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - CAPITAL ASSETS (Concluded)

Depreciation for the fiscal year ended June 30, 2006 amounted to \$960,603. The District allocated depreciation expense to the various activities as follows:

Instruction	\$ 237,092
Support services	89,407
Athletics	26,335
Unallocated	<u>607,769</u>
	<u><u>\$ 960,603</u></u>

Unallocated depreciation represents the assets that serve multiple functions and thus it would be impractical to allocate the depreciation.

NOTE 6 - NOTE PAYABLE

At June 30, 2006 the District has outstanding a \$1,700,000 revenue note (state aid note) dated August 19, 2005. The note, which has an interest rate of 2.87%, matures August 19, 2006. The District has \$1,719,860 of funds on deposit with a financial institution, which are included in investments on the general fund balance sheet, to be applied against the \$1,700,000 note. The note is secured by the full faith and credit of the District as well as pledged state aid. Subsequent to year-end the District set aside an additional amount to pay off the note principal and related interest expense.

Balance June 30, 2005	Additions	Payments	Balance June 30, 2006
<u>\$ 1,700,000</u>	<u>\$ 1,700,000</u>	<u>\$ 1,700,000</u>	<u>\$ 1,700,000</u>

**PLAINWELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

1998 general obligation - bonds due in annual installments of \$1,000,000 through May 1, 2009, with interest at 4.50% to 5.00%	\$ 3,000,000
2002 general obligation - bonds due in annual installments of \$1,000,000 through May 1, 2028, with interest at 3.25% to 5.50%	16,000,000
2005 refunding serial bonds due in annual installments of \$1,000,000 to \$2,030,000 through May 1, 2020, with interest at 3.50% to 5.00%	<u>15,250,000</u>
Total general obligation bonded debt	34,250,000
Less deferred amount on bond refunding	(740,936)
Plus:	
Premium on bond refunding	<u>1,072,666</u>
	34,581,730
1998 limited obligation bonds (Durant bonds) due in annual installments of \$18,794 to \$24,848 through May 1, 2013, with interest at 4.76%. Certain State Aid payments have been pledged as security.	<u>151,940</u>
	34,733,670
School bond loan and revolving funds	3,128,164
Compensated absences	<u>543,590</u>
Total general long-term debt	<u><u>\$ 38,405,424</u></u>

The Durant bonds, including interest, were issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

**PLAINWELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (Continued)

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2006, \$15,125,000 of bonds outstanding are considered defeased.

The annual requirements to amortize long-term obligations outstanding exclusive of compensating absences as of June 30, 2006, including interest of \$16,004,011 are as follows:

Year ending June 30,	Principal	Interest	Total
2007	\$ 2,018,794	\$ 1,580,664	\$ 3,599,458
2008	2,019,693	1,497,270	3,516,963
2009	2,020,631	1,411,332	3,431,963
2010	2,056,613	1,325,349	3,381,962
2011	2,052,642	1,242,921	3,295,563
2012-2016	10,193,567	4,912,245	15,105,812
2017-2021	7,040,000	2,634,230	9,674,230
2022-2026	5,000,000	1,250,000	6,250,000
2027-2028	2,000,000	150,000	2,150,000
	34,401,940	<u>\$ 16,004,011</u>	<u>\$ 50,405,951</u>
School bond loan and revolving funds	3,128,164		
Compensated absences/severance pay	543,590		
Deferred loss on bond refunding	(740,936)		
Premiums on refunding	<u>1,072,666</u>		
	<u>\$ 38,405,424</u>		

At June 30, 2006, net assets of \$215,904 are available in the debt service funds to service the general obligation debt.

**PLAINWELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (Concluded)

The following is a summary of long-term obligations for the District for the year ended June 30, 2006:

	Compensated absences/ severance pay	General obligation bonds	Limited obligation bonds	School bond loan and revolving funds	Total
Balance July 1, 2005	\$ 539,782	\$ 36,585,120	\$ 236,836	\$ 2,555,207	\$ 39,916,945
Additions	3,808			572,957	576,765
Deletions		2,003,390	84,896		2,088,286
Balance June 30, 2006	543,590	34,581,730	151,940	3,128,164	38,405,424
Less current portion	180,903	2,000,000	18,794		2,199,697
Total due after one year	<u>\$ 362,687</u>	<u>\$ 32,581,730</u>	<u>\$ 133,146</u>	<u>\$ 3,128,164</u>	<u>\$ 36,205,727</u>

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Amounts due to and from other funds at June 30, 2006 are as follows:

Receivable fund	Amount	Payable fund	Amount
General fund	\$ 89,808	General fund	\$ 4,428
School lunch	1,607	School lunch	26,191
Athletics	38	Athletics	63,067
2005 Debt fund	426		
2005 Debt fund	1,013		
1998 Debt fund	794		
	<u>\$ 93,686</u>		<u>\$ 93,686</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

**PLAINWELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2006 was 14.87% of payroll through September 30, 2005 and 16.34% effective October 1, 2005 through June 30, 2006. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2006, 2005 and 2004 were \$2,170,000, \$1,672,000 and \$1,638,000, respectively, equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension.

**PLAINWELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The District is self-insured for dental and vision coverage. The current year expense for June 30, 2006 was \$160,368. Any liability for incurred and unreported claims is considered immaterial. The District has approximately \$1,200,000 committed to complete its \$25,510,000 bond proposal construction program. At June 30, 2006 the management of the District is not aware of any arbitrage liability.

NOTE 12 - TRANSFERS

The general fund transferred \$325,682 to the athletics fund during the current fiscal year. The transfer to the athletic fund was to subsidize operations. The school lunch fund transferred \$40,000 to the general fund for current year indirect costs.

NOTE 13 - SUBSEQUENT EVENTS

The District has approved borrowing \$1,500,000 for fiscal year 2007 to replace the note payable as described in Note 6.

REQUIRED SUPPLEMENTARY INFORMATION

**PLAINWELL COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2006**

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
REVENUES:				
Local	\$ 2,739,688	\$ 2,779,581	\$ 2,799,079	\$ 19,498
State sources	18,311,363	18,361,681	18,373,485	11,804
Federal sources	405,961	405,938	363,607	(42,331)
Intermediate sources	411,673	425,429	382,520	(42,909)
Total revenues	21,868,685	21,972,629	21,918,691	(53,938)
EXPENDITURES:				
Instruction:				
Basic programs	11,276,016	11,409,849	11,340,734	69,115
Added needs	2,061,912	2,132,266	2,105,455	26,811
Adult and continuing education	34,062	37,288	37,925	(637)
Total instruction	13,371,990	13,579,403	13,484,114	95,289
Supporting services:				
Pupil	1,056,846	1,084,219	1,080,491	3,728
Instructional staff	723,794	674,437	634,344	40,093
General administration	424,877	426,980	424,578	2,402
School administration	1,200,357	1,202,395	1,188,550	13,845
Business	389,187	376,669	372,749	3,920
Operations and maintenance	3,696,944	2,610,170	2,570,943	39,227
Transportation	777,614	816,785	824,951	(8,166)
Other support services	2,919,330	465,023	451,645	13,378
Total supporting services	11,188,949	7,656,678	7,548,251	108,427
Community services	536,794	527,741	510,062	17,679
Total expenditures	25,097,733	21,763,822	21,542,427	221,395
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,229,048)	208,807	376,264	167,457
OTHER FINANCING SOURCES (USES):				
Operating transfers in	40,000	40,000	40,000	
Operating transfers out	(352,380)	(325,682)	(325,682)	
Total other financing sources (uses)	(312,380)	(285,682)	(285,682)	
NET CHANGE IN FUND BALANCE	<u>\$ (3,541,428)</u>	<u>\$ (76,875)</u>	90,582	<u>\$ 167,457</u>
FUND BALANCE:				
Beginning of year			2,750,240	
End of year			<u>\$ 2,840,822</u>	

ADDITIONAL INFORMATION

**PLAINWELL COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2006**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Total nonmajor governmental funds</u>
ASSETS			
ASSETS:			
Cash	\$ 285,977	\$ 213,217	\$ 499,194
Investments			
Accounts receivable	30,001		30,001
Taxes receivable		454	454
Due from other funds	1,645	2,233	3,878
Inventories	234		234
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 317,857</u></u>	<u><u>\$ 215,904</u></u>	<u><u>\$ 533,761</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 14,845	\$	\$ 14,845
Accrued expenses	32,105		32,105
Due to other funds	89,258		89,258
	<u> </u>		<u> </u>
TOTAL LIABILITIES	<u>136,208</u>		<u>136,208</u>
FUND BALANCES:			
Reserved for debt service		215,904	215,904
Reserved for inventories	234		234
Unreserved, undesignated	181,415		181,415
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>181,649</u>	<u>215,904</u>	<u>397,553</u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 317,857</u></u>	<u><u>\$ 215,904</u></u>	<u><u>\$ 533,761</u></u>

**PLAINWELL COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2006**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Total nonmajor governmental funds</u>
REVENUES:			
Local sources:			
Property taxes	\$	\$ 2,899,019	\$ 2,899,019
Investment earnings		25,547	25,547
Food sales and athletic admissions	674,531		674,531
Other local revenue	12,128		12,128
Total local sources	686,659	2,924,566	3,611,225
State sources	49,535	122,848	172,383
Federal sources	269,776		269,776
Total revenues	1,005,970	3,047,414	4,053,384
EXPENDITURES:			
Current:			
Food service	749,322		749,322
Athletics	483,441		483,441
Debt service:			
Principal retirement		2,179,896	2,179,896
Interest and fiscal charges		1,625,957	1,625,957
Other		300	300
Total expenditures	1,232,763	3,806,153	5,038,916
EXCESS (DEFICIENCY) OF REVENUES UNDER EXPENDITURES	(226,793)	(758,739)	(985,532)
OTHER FINANCING SOURCES (USES):			
Proceeds from school bond loan fund		429,835	429,835
Operating transfers to other funds	(40,000)		(40,000)
Operating transfers from other funds	325,682		325,682
Total other financing sources (uses)	285,682	429,835	715,517
NET CHANGE IN FUND BALANCES	58,889	(328,904)	(270,015)
FUND BALANCES:			
Beginning of year	122,760	544,808	667,568
End of year	\$ 181,649	\$ 215,904	\$ 397,553

**PLAINWELL COMMUNITY SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006
(with comparative totals for June 30, 2005)**

ASSETS	School lunch fund	Athletics fund	Total	
			2006	2005
Cash	\$ 198,811	\$ 87,166	\$ 285,977	\$ 97,210
Accounts receivable	30,001		30,001	34,760
Due from other funds	1,607	38	1,645	
Inventories	234		234	17,603
	<u>\$ 230,653</u>	<u>\$ 87,204</u>	<u>\$ 317,857</u>	<u>\$ 149,573</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 14,845	\$	\$ 14,845	\$ 5,734
Accrued expenses	32,105		32,105	257
Due to other funds	26,191	63,067	89,258	20,822
	<u>73,141</u>	<u>63,067</u>	<u>136,208</u>	<u>26,813</u>
FUND BALANCES:				
Reserved for inventories	234		234	17,603
Designated for subsequent years expenditures				18,677
Unreserved, undesignated	157,278	24,137	181,415	86,480
	<u>157,512</u>	<u>24,137</u>	<u>181,649</u>	<u>122,760</u>
TOTAL FUND BALANCES	<u>\$ 230,653</u>	<u>\$ 87,204</u>	<u>\$ 317,857</u>	<u>\$ 149,573</u>

PLAINWELL COMMUNITY SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006
(with comparative totals for the year ended June 30, 2005)

	School lunch fund	Athletics fund	Total	
			2006	2005
REVENUES:				
Food service sales	\$ 289,644	\$	\$ 289,644	\$ 246,950
Adult food service sales	13,682		13,682	10,302
Ala carte and milk sales	217,206		217,206	197,350
Reduced meal services	11,842		11,842	10,772
State aid	49,535		49,535	52,896
Federal aid	269,776		269,776	251,772
Athletic activities		142,157	142,157	118,430
Other	2,678	9,450	12,128	29,583
Total revenues	854,363	151,607	1,005,970	918,055
EXPENDITURES:				
Salaries	168,716	299,982	468,698	446,519
Benefits	47,816	66,543	114,359	103,455
Purchased services	104,440	79,379	183,819	166,667
Supplies and materials	404,759	37,537	442,296	412,147
Capital outlay	17,891		17,891	59,983
Other	5,700		5,700	48,173
Total expenditures	749,322	483,441	1,232,763	1,236,944
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	105,041	(331,834)	(226,793)	(318,889)
OTHER FINANCING SOURCES:				
Operating transfer to general fund	(40,000)		(40,000)	
Operating transfer in from general fund		325,682	325,682	341,855
NET CHANGE IN FUND BALANCES	65,041	(6,152)	58,889	22,966
FUND BALANCES, beginning of year	92,471	30,289	122,760	99,794
FUND BALANCES, end of year	<u>\$ 157,512</u>	<u>\$ 24,137</u>	<u>\$ 181,649</u>	<u>\$ 122,760</u>

PLAINWELL COMMUNITY SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006
(with comparative totals for June 30, 2005)

	<u>Debt service funds</u>			<u>Totals</u>	
ASSETS	2005	2002	1998	2006	2005
Cash	\$ 27,578	\$ 118,418	\$ 67,221	\$ 213,217	\$ 474,004
Investments					3
Taxes receivable	91	218	145	454	70,801
Due from other funds	426	1,013	794	2,233	192,487
	<u>\$ 28,095</u>	<u>\$ 119,649</u>	<u>\$ 68,160</u>	<u>\$ 215,904</u>	<u>\$ 737,295</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Due to other funds	\$	\$	\$	\$	\$ 192,487
FUND BALANCES:					
Reserved for debt service	28,095	119,649	68,160	215,904	544,808
	<u>\$ 28,095</u>	<u>\$ 119,649</u>	<u>\$ 68,160</u>	<u>\$ 215,904</u>	<u>\$ 737,295</u>

**PLAINWELL COMMUNITY SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006
(with comparative totals for the year ended June 30, 2005)**

	Debt service funds				Totals	
	2005	2002	1998	Durant	2006	2005
REVENUES:						
Local sources:						
Property taxes	\$421,082	\$1,372,403	\$ 1,105,534	\$	\$ 2,899,019	\$ 2,738,959
Investment income	31	16,289	9,227		25,547	910,949
State sources				122,848	122,848	
Total revenues	421,113	1,388,692	1,114,761	122,848	3,047,414	3,649,908
EXPENDITURES:						
Principal retirement	95,000	1,000,000	1,000,000	84,896	2,179,896	2,000,000
Interest on bonded debt	645,005	755,500	187,500	37,952	1,625,957	1,785,638
Bond issuance costs						196,383
Other		300			300	4,419
Total expenditures	740,005	1,755,800	1,187,500	122,848	3,806,153	3,986,440
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(318,892)	(367,108)	(72,739)		(758,739)	(336,532)
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of bonds						15,345,000
Proceeds from school bond loan fund	138,783	217,178	73,874		429,835	1,403,527
Payment to refunded bond escrow agent						(16,042,052)
Total other financing sources (uses)	138,783	217,178	73,874		429,835	706,475
NET CHANGE IN FUND BALANCES	(180,109)	(149,930)	1,135		(328,904)	369,943
FUND BALANCES:						
Beginning of year	208,204	269,579	67,025		544,808	174,865
End of year	\$ 28,095	\$ 119,649	\$ 68,160	\$	\$ 215,904	\$ 544,808

PLAINWELL COMMUNITY SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2006

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
Admin. Flower fund	\$ 452	\$ 3,062	\$ 1,610	\$ 1,904
Alt. Ed. Activity fund	735	1,727	1,553	909
Bus garage lounge/pop machine	45	533	496	82
Community Education - senior citizens	5,198	1,433	2,337	4,294
Community Education/Hicks Gym Pepsi	339	232	38	533
Cooper - activities	5,377	12,797	11,432	6,742
Cooper - library fund	2,143	61	1,792	412
Cooper - dental	394		621	(227)
GRASP		2,718		2,718
Gilkey - Dental Assistance		750		750
Gilkey - earth shuttle	12,221			12,221
Gilkey - general activities	1,362	3,733	3,688	1,407
Gilkey - Ismond environmental	7,403	4,141	3,102	8,442
Gilkey - library	861	2,644	23	3,482
Gilkey - 5th grade activity	1,177	5,068	5,164	1,081
Gilkey - Jody Deanda - PPI		5,068	2,237	2,831
Gilkey - school store	727	157	144	740
Gilkey - teachers lounge	2,319	983	2,083	1,219
High school:				
Art	38			38
Athl - baseball	601	1,717	1,872	446
Athl - basketball men's	1,067	2,532	2,314	1,285
Athl - basketball women's	385	2,336	510	2,211
Athl - boosters account	1,662		1,898	(236)
Athl - cheerleading	29	7,003	9,099	(2,067)
Athl - golf men's		594	488	106
Athl - soccer men's	1,320	4,744	5,592	472
Athl - soccer women's	764	3,651	3,991	424
Athl - softball	518	3,786	2,020	2,284
Athl - tennis men's	151	3,612	4,126	(363)
Athl - tennis women's	977	270	370	877
Athl - track men's	661			661
Athl - track women's	(694)		360	(1,054)
Athl - volleyball	2,808	4,244	3,972	3,080

PLAINWELL COMMUNITY SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2006

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
High school (Continued):				
Athletic concessions	\$ 1,211	\$	\$ 1,121	\$ 90
Auto shop	865	1,378	2,077	166
Band Council	1,406	10,984	11,024	1,366
Bookstore	7,063	4,950	4,220	7,793
Choir	16,306	37,691	35,354	18,643
Class of 2000	358			358
Class of 2001	242			242
Class of 2002	1,734			1,734
Class of 2003	6,311			6,311
Class of 2004	301			301
Class of 2005	3,954		6	3,948
Class of 2006	7,129	105	5,806	1,428
Class of 2007	915	13,435	9,302	5,048
Class of 2008	2,272	1,447	1,669	2,050
Class of 2009	437	3,768	2,542	1,663
Class of 2010		283		283
Culture club	110			110
Drafting	954		813	141
Duane Strobl memorial	160			160
EMI/AI	35			35
Fine arts department	325			325
Football	3,062	18,522	20,960	624
Former classes	349			349
French club	3,370	854	757	3,467
General activities	3,592	15,461	12,192	6,861
Quiz bowl	240	1,075	700	615
Island City Café	4,241	7,162	10,887	516
Jean scholarship fund	278	240		518
Lasher memorial	1,167	27		1,194
Library	163			163
Math supply account	42			42

PLAINWELL COMMUNITY SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2006

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
High School (Concluded):				
Metal shop	\$ 1,136	\$	\$	\$ 1,136
Miscellaneous	8,585	1,990	2,149	8,426
National honor society	717	2,905	1,931	1,691
P.A.L.S.	319			319
Pepsi scholarship fund		1,048	499	549
Peace Jam		3,838	2,535	1,303
Play	2,608			2,608
Race team	716			716
Resource room	968	25	250	743
S.A.D.D.	403			403
School store - Post 1997	19,738	10,164	21,969	7,933
Senior fees	3,385	4,823	3,776	4,432
Spanish club	4,342			4,342
Student senate	2,687	8,962	9,589	2,060
Swimming (Newman)	2,620	5,818	3,242	5,196
Swimming memorial - Robert O'Leary	435			435
Teachers Lounge	701	1,015	1,164	552
Trojan	16,266	38,589	37,612	17,243
Trojan Torch	3,101	3,788	3,840	3,049
Varsity club	3,380	10,286	9,932	3,734
Video Club	1,768	990	667	2,091
Wood shop	3,634	2,659	1,452	4,841
Wrestling activity fund	3,485	3,233	5,215	1,503
Wrestling T. Picket memorial	605			605
Middle school:				
Administrator's team	(72)	2		(70)
Athletic concessions	2,157	3,269	2,925	2,501
Band	290	5,257	5,090	457
Book fines	1,996	521	1,166	1,351
Dental Assistance	1,058	508	891	675
Gym locks	1			1
Home Ec	3			3
Library	3,878	37	1,091	2,824

PLAINWELL COMMUNITY SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2006

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
Middle school (Concluded):				
Money for many	\$ 166	\$ 1,072	\$ 96	\$ 1,142
Mentors	250	180		430
Parents Group	60			60
Photography	106			106
Pop/teachers	1,254	576		1,830
Related arts	64	565	367	262
Ski Club	1,671	7,550	6,900	2,321
Student activities	10,880	53,466	51,016	13,330
Student Council	1,306	9,701	11,443	(436)
Student recognition	615	437	1,736	(684)
Student services	2,268	565	1,280	1,553
Team 1	380	638	744	274
Team 2	452	565	987	30
Team 3	117	714	792	39
Team 4	416	871	1,174	113
Team 5	1,270	565	1,088	747
Team 6	950	565	1,252	263
Wood shop	131			131
Needy Children's Fund	1,208	929	1,200	937
Ski Club - Elementary	263	4,630	4,476	417
Starr:				
Chicago Trip	7,532	8,310	7,842	8,000
General activities	626	5,393	4,356	1,663
Library fund	212	40	15	237
Memorials (Allen & Brus)	2,550	33		2,583
Dental assistance	1,758	243	1,738	263
Supplies plus (school store)	2,418	2,137	1,685	2,870
Teachers Lounge	2,120	1,733	3,276	577
Streidl Scholarship Fund	(234)			(234)
Welcher Scholarship Fund	1,611	23	300	1,334
TOTAL AGENCY FUNDS	<u>\$ 252,962</u>	<u>\$ 408,206</u>	<u>\$ 413,110</u>	<u>\$ 248,058</u>

PLAINWELL COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 1998 DEBT
YEAR ENDED JUNE 30, 2006

Year ending June 30,	Interest rate	Principal amount	Interest amount	Total
2007	5.00%	\$ 1,000,000	\$ 145,000	\$ 1,145,000
2008	5.00%	1,000,000	95,000	1,095,000
2009	4.50%	1,000,000	45,000	1,045,000
		<u>\$ 3,000,000</u>	<u>\$ 285,000</u>	<u>\$ 3,285,000</u>

Principal payments due on first day of May

Interest payments due on first day of May and November

Original issue - November 30, 1998 \$ 19,660,000

Purpose - Construction, remodeling and improvement of school facilities.

PLAINWELL COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 2002 DEBT
YEAR ENDED JUNE 30, 2006

<u>Year ending June 30,</u>	<u>Interest rate</u>	<u>Principal amount</u>	<u>Interest</u>	<u>Total</u>
2007	3.25%	\$ 1,000,000	\$ 725,500	\$ 1,725,500
2008	3.50%	1,000,000	693,000	1,693,000
2009	4.00%	1,000,000	658,000	1,658,000
2010	4.00%	1,000,000	618,000	1,618,000
2011	4.00%	1,000,000	578,000	1,578,000
2012	4.10%	1,000,000	538,000	1,538,000
2013	4.20%	1,000,000	497,000	1,497,000
2014	5.50%	1,000,000	455,000	1,455,000
2015	5.50%		400,000	400,000
2016	5.50%		400,000	400,000
2017	5.50%		400,000	400,000
2018	5.50%		400,000	400,000
2019	5.50%		400,000	400,000
2020	5.50%		400,000	400,000
2021	5.00%	1,000,000	400,000	1,400,000
2022	5.00%	1,000,000	350,000	1,350,000
2023	5.00%	1,000,000	300,000	1,300,000
2024	5.00%	1,000,000	250,000	1,250,000
2025	5.00%	1,000,000	200,000	1,200,000
2026	5.00%	1,000,000	150,000	1,150,000
2027	5.00%	1,000,000	100,000	1,100,000
2028	5.00%	1,000,000	50,000	1,050,000
Total		<u>\$ 16,000,000</u>	<u>\$ 8,962,500</u>	<u>\$ 24,962,500</u>

Principal payments due on first day of May

Interest payments due on first day of May and November

Original issue - November 20, 2002 \$ 25,510,000

Purpose - Construction, remodeling and improvement of school facilities.

PLAINWELL COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - REVOLVING BONDS
YEAR ENDED JUNE 30, 2006

Year ending June 30,	Interest rate	Principal amount	Interest	Total
2007	4.00%	\$	\$ 702,930	\$ 702,930
2008	4.00%		702,930	702,930
2009	4.00%		702,930	702,930
2010	4.00%	1,035,000	702,930	1,737,930
2011	3.50%	1,030,000	661,530	1,691,530
2012	4.00%	1,035,000	625,480	1,660,480
2013	4.50%	1,030,000	584,080	1,614,080
2014	5.00%	1,025,000	537,730	1,562,730
2015	5.00%	2,030,000	486,480	2,516,480
2016	5.00%	2,025,000	384,980	2,409,980
2017	4.10%	2,030,000	283,730	2,313,730
2018	5.00%	2,010,000	200,500	2,210,500
2019	5.00%	1,000,000	100,000	1,100,000
2020	5.00%	1,000,000	50,000	1,050,000
Total		<u>\$ 15,250,000</u>	<u>\$ 6,726,230</u>	<u>\$ 21,976,230</u>

Principal payments due on first day of May

Interest payments due on first day of May and November

Original issue - June 2, 2005 \$ 15,345,000

Purpose - Refunding of 1998 and 2002 debt

PLAINWELL COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - REVOLVING BONDS
YEAR ENDED JUNE 30, 2006

<u>Year ending June 30,</u>	<u>Interest rate</u>	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total</u>
2007	4.76%	\$ 18,794	\$ 7,234	\$ 26,028
2008		19,693	6,340	26,033
2009		20,631	5,402	26,033
2010		21,613	4,419	26,032
2011		22,642	3,391	26,033
2012		23,719	2,312	26,031
2013		24,848	1,183	26,031
Total		<u>\$ 151,940</u>	<u>\$ 30,281</u>	<u>\$ 182,221</u>

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorized the payment of the State Aid Payments directly to the Authority's Depository.

PLAINWELL COMMUNITY SCHOOLS
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN
SCHOOL BOND LOAN AND REVOLVING FUNDS
JUNE 30, 2006

Year ended June 30,	Loan proceeds	Interest	Balance
<hr/>	<hr/>	<hr/>	<hr/>
2006	\$ 2,939,100	\$ 189,064	\$ 3,128,164

PLAINWELL COMMUNITY SCHOOLS
ADDITIONAL REPORTS REQUIRED BY
OMB CIRCULAR A-133
YEAR ENDED JUNE 30, 2006

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Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
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Floyd L. Costerisan
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Plainwell Community Schools
Plainwell, Michigan

August 11, 2006

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Plainwell Community Schools as of and for the year ended June 30, 2006, which collectively comprise Plainwell Community Schools basic financial statements and have issued our report thereon dated August 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Plainwell Community Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Board of Education
Plainwell Community Schools
Plainwell, Michigan

August 11, 2006

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Plainwell Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Plainwell Community Schools' in a separate letter dated August 11, 2006.

This report is intended solely for the information and use of the board of education, management and the U.S. Department of Education and the Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mamer, Costenisan & Ellis, P.C." in a cursive script.

Certified Public Accountants



Lamonte T. Lator
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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Plainwell Community Schools
Plainwell, Michigan

August 11, 2006

Compliance

We have audited the compliance of Plainwell Community Schools with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. Plainwell Community Schools' major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Plainwell Community Schools' management. Our responsibility is to express an opinion on Plainwell Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Plainwell Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Plainwell Community Schools' compliance with those requirements.

In our opinion, Plainwell Community Schools complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

To the Board of Education
Plainwell Community Schools
Plainwell, Michigan

August 11, 2006

Internal Control Over Compliance

The management of Plainwell Community Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Plainwell Community Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Plainwell Community Schools as of and for the year ended June 30, 2006, and have issued our report thereon dated August 11, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Plainwell Community Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mamey Costeniser & Ellis, P.C." The signature is written in a cursive, flowing style.

Certified Public Accountants

**PLAINWELL COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Approved grant award amount	Accrued (deferred) revenue July 1, 2005	Prior year expenditures	Current year expenditures	Current year cash receipts	Accrued (deferred) revenue June 30, 2006
<u>U.S. Department of Agriculture:</u>								
Passed through Michigan Department of Education:								
Child Nutrition Cluster:								
National School Lunch Program - Section 4	10.555	051950	\$ 5,338	\$	\$	\$ 5,338	\$ 5,338	\$
National School Lunch Program - Section 4		061950	46,222			46,222	46,222	
National School Lunch Program - Section 11		051960	17,470			17,470	17,470	
National School Lunch Program - Section 11		061960	151,373			151,373	151,373	
			220,403			220,403	220,403	
National School Lunch Program - Breakfast	10.553	051970	2,349			2,349	2,349	
National School Lunch Program - Breakfast		061970	30,314			30,314	30,314	
			32,663			32,663	32,663	
Total Child Nutrition Cluster			253,066			253,066	253,066	
Food distribution:								
Entitlement Commodities	10.550		40,735			15,652	15,652	
Bonus Commodities			1,058			1,058	1,058	
			41,793			16,710	16,710	
Total U.S. Department of Agriculture			294,859			269,776	269,776	

The accompanying notes are an integral part of this schedule.

**PLAINWELL COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Approved grant award amount	Accrued (deferred) revenue July 1, 2005	Prior year expenditures	Current year expenditures	Current year cash receipts	Accrued (deferred) revenue June 30, 2006
U.S. Department of Education:								
Passed through Michigan Department of Education:								
E.C.I.A. Title I-CARRYOVER	84.010	041530-0405	\$ 42,865	\$ 20,688	\$ 20,688	\$	\$ 20,688	\$
E.C.I.A. Title I		051530-0405	206,609	137,077	137,077	20,131	157,208	
E.C.I.A. Title I-CARRYOVER		051530-0506	5,475			5,475	5,475	
E.C.I.A. Title I		061530-0506	235,908			210,655	141,923	68,732
			<u>490,857</u>	<u>157,765</u>	<u>157,765</u>	<u>236,261</u>	<u>325,294</u>	<u>68,732</u>
Title V LEA Allocation-carryover	84.298	040250-0405	358	358	358		358	
Title V LEA Allocation	84.298	050250-0405	1,702	1,702	1,702		1,702	
Title V LEA Allocation-carryover	84.298	050250-0506	20			20	20	
Title V LEA Allocation	84.298	060250-0506	1,150			1,011	244	767
			<u>3,230</u>	<u>2,060</u>	<u>2,060</u>	<u>1,031</u>	<u>2,324</u>	<u>767</u>
Technical Literacy Challenge Fund	84.318	044290-0405	5,157	1,363	1,363		1,363	
Technical Literacy Challenge Fund	84.318	054290-0405	132	132	132		132	
Technical Literacy Challenge Fund	84.318	054290-0506	5,258			5,258	5,258	
Technical Literacy Challenge Fund	84.318	064290-0506	4,401			1,548	1,498	50
			<u>14,948</u>	<u>1,495</u>	<u>1,495</u>	<u>6,806</u>	<u>8,251</u>	<u>50</u>
Title IIA, Improving Teacher Quality	84.367	050520-0405	90,995	50,541	61,386	10,845	61,386	
Title IIA, Improving Teacher Quality	84.367	050520-0506	2,856			2,856	2,856	
Title IIA, Improving Teacher Quality	84.367	060520-0506	93,955			70,082	50,277	19,805
			<u>187,806</u>	<u>50,541</u>	<u>61,386</u>	<u>83,783</u>	<u>114,519</u>	<u>19,805</u>
Emergency Impact Aid	84.938C		<u>186</u>	<u>186</u>		<u>186</u>		<u>186</u>
Total passed through Michigan Department of Education			<u>697,027</u>	<u>212,047</u>	<u>222,706</u>	<u>328,067</u>	<u>450,388</u>	<u>89,540</u>

The accompanying notes are an integral part of this schedule.

**PLAINWELL COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Approved grant award amount	Accrued (deferred) revenue July 1, 2005	Prior year expenditures	Current year expenditures	Current year cash receipts	Accrued (deferred) revenue June 30, 2006
<u>U.S. Department of Education (Concluded):</u>								
Passed through Allegan County Intermediate School District:								
Transition Services	84.027	050490-ITS	\$ 2,255	\$	\$	\$ 2,255	\$ 2,255	\$
Preschool Incentive	84.173	040460-1	<u>11,524</u>			<u>11,524</u>	<u>11,524</u>	
Total passed through Allegan County Intermediate School District			<u>13,779</u>			<u>13,779</u>	<u>13,779</u>	
Passed through Ottawa County Intermediate School District:								
Safe and Drug Free School and Communities Act	84.184A	052860	7,121			7,121	7,121	
	84.186	062860	<u>6,912</u>			<u>6,912</u>	<u>6,912</u>	
Total passed through Ottawa Intermediate			<u>14,033</u>			<u>14,033</u>	<u>14,033</u>	
Total U.S. Department of Education			<u>724,839</u>	<u>212,047</u>	<u>222,706</u>	<u>355,879</u>	<u>478,200</u>	<u>89,540</u>
<u>U.S. Department of Homeland Security:</u>								
Passed through Michigan State Police:								
2003 State Homeland Security Grant	97.004		<u>7,728</u>			<u>7,728</u>	<u>7,728</u>	
 TOTAL FEDERAL AWARDS			<u>\$1,027,426</u>	<u>\$ 212,047</u>	<u>\$ 222,706</u>	<u>\$ 633,383</u>	<u>\$ 755,704</u>	<u>\$ 89,540</u>

The accompanying notes are an integral part of this schedule.

PLAINWELL COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

NOTES:

1. includes the grant activity of Plainwell Community Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the
2. Child Nutrition Cluster, CFDA #10.553 and #10.555 were audited as major programs.
3. Major programs represent 40% of federal expenditures.
4. The threshold for distinguishing Type A and Type B programs was \$300,000.
5. Management has utilized the Grant Section Auditors' Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards.
6. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$ 363,607
Other nonmajor governmental funds	<u>269,776</u>
	<u><u>\$ 633,383</u></u>

**PLAINWELL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: *Unqualified*

Internal control over financial reporting

➤ Material weakness(es) identified: _____ Yes X No

➤ Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

➤ Material weakness(es) identified: _____ Yes X No

➤ Reportable condition(s) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of auditors’ report issued on compliance for major *Unqualified*

Any audit findings disclosed that are required to be reported with Section 501(a) of Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553 and 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes ___ No

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

**PLAINWELL COMMUNITY SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2006**

There were no prior audit findings which need to be reported.



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Leon A. Ellis (1933-1988)

August 11, 2006

To the Board of Education
Plainwell Community Schools
Plainwell, Michigan

In planning and performing our audit of the financial statements of Plainwell Community Schools for the year ended June 30, 2006, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated August 11, 2006, on the financial statements of Plainwell Community Schools.

Prior Year Comments - Status

§403(b) Plans Update

Final regulations have not yet been finalized.

Accounts Payable

This recommendation has been implemented.

Prior Year Comments - Status

Fixed Assets

The District utilizes an annual vendor's computerized system depreciating property, plant, and equipment. We recommend that the District invest in a depreciation software package. Such software will assist in keeping the depreciation accurate and up-to-date because the software calculates the depreciation automatically. Using the software, the District can also make monthly updates to records for any new additions or disposals and can calculate any gains or losses on disposal. Currently, the District capitalizes fixed assets at year-end. This will save time at year-end and will not require waiting for third party reports.

The District now uses customized software provided by Maner, Costerisan & Ellis, PC.

Bonds

For all bonds issued after May 1, 1994, a separate interim audit must be completed for each individual series of a bond authorization prior to the issuance of the next series. This interim audit must be completed within 120 days after completion of all projects and filed immediately with the Department of Treasury. This requirement is pursuant to Section 1351a (2) of Act 451 of the Public Acts of 1976. The management of the District should contact us with information as to the completion of all capital projects meeting this requirement so we can perform our audit procedures in a timely manner.

The District has not yet received a certificate of substantial completion.

Current Year Comments

Increase Employee Dishonesty Insurance

We noted that the District has potentially inadequate employee dishonesty insurance in its own name covering employees handling cash (either its receipts or disbursements) or holding other positions of trust. We believe that this type of protection is a particularly desirable safeguard against loss through theft or misappropriation, and we recommend that an increase in coverage be considered. Currently, the District is insured for up to \$50,000 worth of damages due to employee dishonesty, for a nominal increase in cost an increase in coverage could be obtained. We recommend that the District increase its employee dishonesty insurance to \$500,000 in coverage.

Budget Enforcement by the Michigan Department of Education

The Michigan Department of Education is changing their enforcement and monitoring of budget violations. They are currently focusing on total expenditures violations that exceed 1% of the total expenditures budget and total other financing uses that exceed 1% of the total other financing uses budget. The Department of Education will be issuing letters to school board presidents, the superintendent and the chief business official when they identify these types of violations.

Currently identified violations of the Act include, but are not limited to:

- Incurring expenditures in excess of the appropriation approved by the school board (Overspending your budget by line item).
- Ending the fiscal year with a deficit (negative fund balance).
- Adopting a budget that, when implemented, would put the district in a deficit.

The Department is also currently reviewing their interpretation of Section 17(2). This would be a situation where a District's actual revenues were less than budgeted revenues and, at the same time, depleted the District fund balance, beyond what was approved in total by the school board. We recommend you continue to review your current budget amendments during the year. There will be situations where there continue to be budget violations as disclosed in footnote 2 subsection 3 of the financial statements. While there may be technical violations of the act we believe the District's current budget procedures are adequate.

Cash Management-Federal Awards

The Michigan Department of Education has recently been notified that it, along with all other states, has misinterpreted the advance provision of the Cash Management Improvement Act (CMIA). The United States Department of Education started monitoring and auditing CMIA compliance and is notifying sub-recipients that advances are limited to three days cash needs. In other words, funds must be spent by the District within 72 hours of being drawn down from the USDE GAPS system. Because of this new awareness, the department will no longer allow 30-day cash advances for ongoing programs during FY 2006/2007. Thirty-day cash advances may be permitted for new one-time federal grant programs at the discretion of program management. We suggest the District request funds on a reimbursement basis in order to ensure compliance with the cash management requirements.

New Auditing Standards

Recently, 10 new auditing standards have been released and will become effective over the District's next two fiscal years. In reviewing the new standards, we do not believe, for the most part, they will have a significant impact on our overall audit approach. However, two of the new standards may directly impact the District beginning with the June 30, 2007 year-end.

One of the new standards revises the dating of the auditors' report. Under the old standards, the auditors' report was dated the last day of fieldwork. The new standards define the date as the date adequate audit evidence is obtained. Adequate audit evidence is now being interpreted as including the client's approval of draft financial statements. Although the dating of the report may seem trivial to non-auditors, it does have an impact on auditors' subsequent events work (June 30 through date of the auditors' report). The impact to the District could be if there was a long period of time needed to resolve certain open issues. This would extend the dating of the auditors' report and increase the amount of work we need to complete our subsequent events work.

Another standard effective for the June 30, 2007 year-end is related to our communications with the client. The new standard retained the definition of a "material weakness" and added two new categories of deficiencies "significant deficiency" and "control deficiency". Certain situations were included as examples of strong indicators of significant deficiencies and possibly material weaknesses. One of the situations is the client is unable to write financial statements, including the footnotes, in accordance with generally accepted accounting principles. Historically, we have prepared the financial statements and footnotes for the District. We will have to evaluate the District's ability to produce appropriate financial statements and footnotes and, accordingly, if any control deficiencies exists.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

To the Board of Education
Plainwell Community Schools
Plainwell, Michigan

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August 11, 2006

This report is intended solely for the information and use of Plainwell Community Schools, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours

Manner, Costenisan & Ellis, P.C.



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raeck
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

August 11, 2006

To the Plainwell Board of Education
Plainwell Community Schools
Plainwell, Michigan

We have audited the financial statements of Plainwell Community Schools for the year ended June 30, 2006, and have issued our report thereon dated August 11, 2006. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Plainwell Community School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Plainwell Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Plainwell Community Schools' compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major programs for the purpose of expressing an opinion on Plainwell Community Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Plainwell Community Schools' compliance with those requirements.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Plainwell Community Schools are described in Note 1 to the financial statements. We noted no transactions entered into by Plainwell Community Schools during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Management's estimate of the liability of the payout for the employee compensated absences upon their retirement is based on expected payout; the balance reported for compensated absences was approximately \$543,000. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements as a whole.

Certain amounts included in capital assets have estimated based on an outside appraisal company. Certain allocations on the statement of activities allocating revenue between instruction and support services have been used in preparing the statements.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Plainwell Community Schools' financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Plainwell Community Schools, either individually or in the aggregate, indicate matters that could have a significant effect on the Plainwell Community Schools' financial reporting process.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Plainwell Community Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Finance Committee, the Board of Education, management, and federal awarding agencies and pass through entities of Plainwell Community Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Mamey Costenison, E. Ellis, P.C." The signature is written in a cursive, flowing style.